

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Wakefield Housing Commission	County Gogebic
Audit Date 6/30/05	Opinion Date 12/12/05	Date Accountant Report Submitted to State: 12/19/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Anderson, Tackman & Company, PLC

Street Address

Po Box 828

City

Iron Mountain

State

MI

ZIP

49801

Accountant Signature

Date

12-19-05

WAKEFIELD HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended June 30, 2005

WAKEFIELD HOUSING COMMISSION

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Wakefield Housing Commission
Wakefield, Michigan

We have audited the accompanying basic financial statements of the business-type activities of the Wakefield Housing Commission, component unit of the City of Wakefield, as of and for the year ended June 30, 2005 as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Wakefield Housing Commission as of June 30, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2005 on our consideration of the Wakefield Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Wakefield Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

December 12, 2005

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Wakefield Housing Commission's financial performance provides an overview of the financial activities for the year ended June 30, 2005. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$518,123 at June 30, 2005 compared to \$595,258 at June 30, 2004.
- The Commission's operating revenues totaled \$128,672 for June 30, 2005 and \$159,029 for June 30, 2004, while operating expenses totaled \$207,191 for June 30, 2005 and \$194,986 for June 30, 2004.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities and the Statement of Revenues, Expenses and Change in Net Assets (on pages 9 to 11) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets, Statement of Activities and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities and the Statement of Revenues, Expenses, and Change in Net Assets, the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help it cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets at June 30, 2005 decreased \$(77,135) from June 30, 2004.

Table 1

NET ASSETS

Assets

	June 30,	
	<u>2005</u>	<u>2004</u>
Current assets	\$ 82,209	\$ 119,483
Capital assets (net)	<u>465,297</u>	<u>503,634</u>
Total assets	<u>547,506</u>	<u>623,117</u>

Liabilities

Current liabilities	<u>29,383</u>	<u>27,859</u>
Total liabilities	<u>29,383</u>	<u>27,859</u>

Net Assets

Invested in capital assets, net of related debt	465,297	503,634
Unrestricted	<u>52,826</u>	<u>91,624</u>
Net Assets	\$ <u>518,123</u>	\$ <u>595,258</u>

Net assets of the Commission stood at \$518,123 at June 30, 2005 compared to \$595,258 at June 30, 2004. Unrestricted net business assets were \$52,826 compared to \$91,624 at June 30, 2004. In general, the Commission's unrestricted net assets are used to fund operations of the Commission.

Table 2**CHANGE IN NET ASSETS**

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 77,563	\$ 76,121
Program grants & subsidies	49,609	80,978
General revenues:		
Other income	1,500	1,930
Unrestricted investment earnings	<u>1,384</u>	<u>1,583</u>
Total revenues	130,056	160,612
Program Expenses:		
Operating expenses	(207,191)	(194,986)
Change in net assets	(77,135)	(34,374)
Net assets – beginning of period	<u>595,258</u>	<u>629,632</u>
Net assets – end of period	<u>\$ 518,123</u>	<u>\$ 595,258</u>

BUSINESS-TYPE ACTIVITIES

Revenues for the Commission totaled \$130,056 compared to \$160,612 during June 30, 2004. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had also decreased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses.

CAPITAL ASSETS

Capital Assets

The Commission had \$1,455,829 invested in a variety of capital assets including land, equipment and buildings at June 30, 2005 compared to \$1,428,676 at June 30, 2004.

Table 3

CAPITAL ASSETS AT JUNE 30, 2005
Business – Type Activity

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
Land and improvements	\$ 77,693	\$ 77,693
Buildings and improvements	1,290,147	1,274,098
Equipment	<u>87,989</u>	<u>76,885</u>
Total cost	1,455,829	1,428,676
Less accumulated depreciation	(990,532)	(925,042)
NET CAPITAL ASSETS	\$ <u>465,297</u>	\$ <u>503,634</u>

The Commission invested \$27,153 in capital assets during the year ended June 30, 2005.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2005/2006. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2005/2006 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Kristy Dams at 200 Pierce Street, Wakefield, Michigan 49968, or call 906-229-5204.

WAKEFIELD HOUSING COMMISSION

**STATEMENT OF NET ASSETS
Proprietary Fund**

June 30, 2005

CURRENT ASSETS:

Cash and equivalents	\$ 31,408
Accounts receivable	7,786
Investments	41,677
Prepaid expenses	<u>1,338</u>

TOTAL CURRENT ASSETS	<u>82,209</u>
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NONCURRENT ASSETS:

Capital assets	1,455,829
Less accumulated depreciation	<u>(990,532)</u>

NET CAPITAL ASSETS	<u>465,297</u>
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TOTAL ASSETS	<u>\$ 547,506</u>
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CURRENT LIABILITIES:

Accounts payable	\$ 12,173
Accrued liabilities	<u>17,210</u>

TOTAL CURRENT LIABILITIES	<u>29,383</u>
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NET ASSETS:

Investment in capital assets, net of related debt	465,297
Unrestricted net assets	<u>52,826</u>

NET ASSETS	<u>\$ 518,123</u>
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The accompanying notes to financial statements are an integral part of this statement.



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CERTIFIED PUBLIC ACCOUNTANTS

WAKEFIELD HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

FUNCTIONS/PROGRAMS	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
BUSINESS-TYPE ACTIVITIES:				
Public Housing	\$ 207,191	\$ 77,563	\$ 49,609	\$ -
				\$ (80,019)
General revenues:				
Unrestricted investment earnings				1,384
Other				1,500
Total general revenues				2,884
Change in net assets				(77,135)
NET ASSETS, beginning of year				595,258
NET ASSETS, end of year				\$ 518,123

The accompanying notes to the financial statements are an integral part of this statement.

WAKEFIELD HOUSING COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE
IN NET ASSETS
Proprietary Fund**

For the Year Ended June 30, 2005

OPERATING REVENUES:

Tenant revenue	\$ 77,563
Program grants-subsidies	49,609
Other income	<u>1,500</u>

TOTAL OPERATING REVENUES	<u>128,672</u>
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OPERATING EXPENSES:

Administration	46,563
Tenant services	8,344
Utilities	25,168
Maintenance	53,563
General	8,064
Depreciation	<u>65,489</u>

TOTAL OPERATING EXPENSES	<u>207,191</u>
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OPERATING (LOSS)	(78,519)
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OTHER INCOME (EXPENSES):

Interest income	<u>1,384</u>
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CHANGE IN NET ASSETS	(77,135)
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NET ASSETS, BEGINNING OF YEAR	<u>595,258</u>
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NET ASSETS, END OF YEAR	<u>\$ 518,123</u>
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ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.



WAKEFIELD HOUSING COMMISSION

STATEMENT OF CASH FLOWS Proprietary Fund

For the Year Ended June 30, 2005

OPERATING ACTIVITIES:

Cash received from customers	\$ 76,479
Cash received from grants and subsidies	60,567
Cash payments to suppliers for goods and services	(65,439)
Cash payments for wages and related benefits	(73,971)
Other receipts	<u>1,500</u>

NET CASH (USED) BY OPERATING ACTIVITIES (864)

CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	<u>(27,153)</u>
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NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES (27,153)

INVESTING ACTIVITIES:

Purchase of investments	10,918
Investment income	<u>1,390</u>

NET CASH PROVIDED FROM INVESTING ACTIVITIES 12,308

NET (DECREASE) IN CASH AND EQUIVALENTS (15,709)

CASH AND EQUIVALENTS, BEGINNING OF YEAR 47,117

CASH AND EQUIVALENTS, END OF YEAR \$ 31,408

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (78,519)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	65,489
Changes in assets and liabilities:	
Decrease (Increase) in receivables	9,874
Decrease (Increase) in prepaid expenses	768
Increase (Decrease) in accounts payable	1,158
Increase (Decrease) in accrued liabilities	<u>366</u>

NET CASH (USED) BY OPERATING ACTIVITIES \$ (864)

The accompanying notes to financial statements are an integral part of this statement.

WAKEFIELD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Wakefield Housing Commission (Commission) was formed by the Wakefield City Board under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the City Manager.

The Commission manages 30 Low Rent Public Housing units and, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Wakefield Housing Commission, but the Commission is a component unit of the City of Wakefield, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities and Statement of Revenues, Expenses and Change in Net Assets display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



WAKEFIELD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities and Statement of Revenues, Expenses and Change in Net Assets are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after December 10, 1989, except those that conflict with a GASB pronouncement.



WAKEFIELD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$400 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

- 1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.



WAKEFIELD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on July 1st. The operating budget includes proposed expenses and the means of financing them. Prior to June 30th, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.



WAKEFIELD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

(Continued)

NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 25
Checking accounts	15,038
Certificates of deposit	<u>16,345</u>
TOTAL	\$ <u>31,408</u>

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require and the Commission does not have a policy for deposit custodial credit risk. As of June 30, 2005, the Commission's cash and equivalents were not exposed to credit risk due to them being fully insured.

Investments

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>
		<u>Less Than 1 Year</u>
Certificates of Deposit	\$ 41,677	\$ 41,677

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.



WAKEFIELD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk. Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

Concentration of Credit Risk. The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. All of the Commission's investments are with the First National Bank of Wakefield.

NOTE C - CAPITAL ASSETS

A summary of capital assets as of June 30, 2005 is as follows:

	Balance <u>7-1-04</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-05</u>
Land and improvements	\$ 77,693	\$ -	\$ -	\$ 77,693
Building and improvements	1,274,098	16,049	-	1,290,147
Equipment	76,885	11,104	-	87,989
Construction-in-progress	<u>-</u>	<u>12,583</u>	<u>(12,583)</u>	<u>-</u>
	1,428,676	\$ <u>39,736</u>	\$ <u>(12,583)</u>	1,455,829
Accumulated depreciation	<u>(925,042)</u>	\$ <u>(65,490)</u>	\$ <u>-</u>	<u>(990,532)</u>
Net capital assets	\$ <u>503,634</u>			\$ <u>465,297</u>

Depreciation expense for the year was \$65,490.

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.



WAKEFIELD HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

(Continued)

NOTE E - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total operating revenues for the year ended June 30, 2005 totaled \$128,672 of which \$49,609 or 38.6% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

NOTE G— PENSION PLAN

The Commission has established a pension plan of which the commission contributes 4.63% of qualified wages. To be eligible, an employee must have twelve continuous months of service. The Commission contributions to the Plan during the year amounted to \$2,006.





**SUPPLEMENTAL
INFORMATION**

WAKEFIELD HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

June 30, 2005

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash:				
111	Cash - unrestricted	\$ 31,408	\$ -	\$ 31,408
100	Total cash	31,408	-	31,408
Accounts and notes receivables:				
122	Accounts receivable- HUD other projects	5,370	1,097	6,467
126	Accounts receivable- tenants	1,864	-	1,864
126.1	Allowance for doubtful accounts - tenants	(780)	-	(780)
126.2	Allowance for doubtful accounts - other	-	-	-
129	Accrued interest receivable	235	-	235
120	Total receivables, net of allowances for doubtful accounts	6,689	1,097	7,786
Other current assets:				
131	Investments - Unrestricted	41,677	-	41,677
142	Prepaid expenses and Other Assets	1,338	-	1,338
144	Interprogram due from	1,097	-	1,097
150	TOTAL CURRENT ASSETS	82,209	1,097	83,306
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	3	-	3
162	Buildings	1,263,522	26,625	1,290,147
163	Furniture, equipment & machinery - dwellings	20,349	-	20,349
164	Furniture, equipment & machinery - administration	67,640	-	67,640
165	Leasehold improvements	77,690	-	77,690
166	Accumulated depreciation	(987,327)	(3,205)	(990,532)
160	Total fixed assets, net of accumulated depreciation	441,877	23,420	465,297
180	TOTAL NONCURRENT ASSETS	441,877	23,420	465,297
190	TOTAL ASSETS	\$ 524,086	\$ 24,517	\$ 548,603

See accompanying notes to financial statements



WAKEFIELD HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

June 30, 2005

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES:				
CURRENT LIABILITIES				
312	Accounts payable ≤ 90 days	\$ 12,173	\$ -	\$ 12,173
321	Accrued wages / payroll taxes payable	15,121	-	15,121
322	Accrued compensated absences - current portion	514	-	514
341	Tenant security deposits	1,575	-	1,575
347	Interprogram due to	-	1,097	1,097
310	TOTAL CURRENT LIABILITIES	29,383	1,097	30,480
354	Accrued compensated absences - non current	-	-	-
350	TOTAL NONCURRENT LIABILITIES	-	-	-
300	TOTAL LIABILITIES	29,383	1,097	30,480
<u>NET ASSETS</u>				
508.1	Investment in capital assets, net of related debt	441,877	23,420	465,297
512.1	Unrestricted net assets	52,826	-	52,826
513	TOTAL NET ASSETS	494,703	23,420	518,123
600	TOTAL LIABILITIES AND NET ASSETS	\$ 524,086	\$ 24,517	\$ 548,603

See accompanying notes to financial statements



WAKEFIELD HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

For the Year Ended June 30, 2005

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
<u>REVENUES</u>				
703	Net tenant rental revenue	\$ 69,263	\$ -	\$ 69,263
704	Tenant revenue - other	8,300	-	8,300
705	Total tenant revenue	77,563	-	77,563
706	HUD PHA grants	30,920	6,106	37,026
706.1	Capital grants	-	12,583	12,583
711	Investment income - unrestricted	1,384	-	1,384
715	Other revenue	1,500	-	1,500
700	TOTAL REVENUE	111,367	18,689	130,056
<u>EXPENSES</u>				
Administrative:				
911	Administrative salaries	17,979	-	17,979
912	Auditing fees	4,900	-	4,900
914	Compensated absences	(1,591)	-	(1,591)
915	Employee benefit contributions- administrative	16,308	-	16,308
916	Other operating- administrative	8,967	-	8,967
	Total Administrative	46,563	-	46,563
Tenant services:				
924	Tenant services - other	8,344	-	8,344
Utilities:				
931	Water	1,284	-	1,284
932	Electricity	13,836	-	13,836
933	Gas	8,182	-	8,182
938	Other Utilities expense	1,866	-	1,866
	Total Utilities	25,168	-	25,168

See accompanying notes to financial statements



WAKEFIELD HOUSING COMMISSION**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended June 30, 2005

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
Maintenance:				
941	Ordinary maintenance and operations - labor	25,341	-	25,341
942	Ordinary maintenance and operations - materials & other	2,738	-	2,738
943	Ordinary maintenance and operations - contract costs	6,045	-	6,045
945	Employee benefit contributions- ordinary maintenance	19,439	-	19,439
	Total Maintenance	53,563	-	53,563
General expenses:				
961	Insurance premiums	7,284	-	7,284
964	Bad Debt - Tenant Rents	780	-	780
	Total General Expenses	8,064	-	8,064
969	TOTAL OPERATING EXPENSES	141,702	-	141,702
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(30,335)	18,689	(11,646)
974	Depreciation expense	62,618	2,871	65,489
900	TOTAL EXPENSES	204,320	2,871	207,191
Other financing sources (uses)				
1001	Operating Transfers In	6,106	-	6,106
1002	Operating Transfers Out	-	(6,106)	(6,106)
1010	Total other financing sources (uses)	6,106	(6,106)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (86,847)	\$ 9,712	\$ (77,135)
MEMO account information				
1103	Beginning equity	\$ 581,550	\$ 13,708	\$ 595,258
1120	Unit months available	360	-	360
1121	Number of unit months leased	332	-	332

See accompanying notes to financial statements



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Wakefield Housing Commission
Wakefield, Michigan

We have audited the financial statements of the business-type activities of the Wakefield Housing Commission, as of and for the year ended June 30, 2005, which collectively comprise the Wakefield Housing Commission's basic financial statements and have issued our report thereon dated December 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wakefield Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Wakefield Housing Commission, in a separate letter dated December 12, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wakefield Housing Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Wakefield Housing Commission in a separate letter dated December 12, 2005.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Anthony Tackman, C. P.A.

ANDERSON, TACKMAN & COMPANY, P.L.C.
Certified Public Accountants
Iron Mountain, Michigan

December 12, 2005





ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

December 12, 2005

Board of Commissioners
Wakefield Housing Commission
Wakefield, Michigan

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Wakefield Housing Commission for the year ended June 30, 2005, we considered the entities internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 12, 2005, on the financial statements of the Wakefield Housing Commission.

1. During the review of disbursements it was noted that employee reimbursement requests were hand written on a piece of paper.

Recommendation

The Commission should have a formal employee request form for reimbursement of travel expenses. The form should be such that detailed expenses can be itemized out along with date and purpose of the expenses. The employee should complete and sign the form every time they are requesting reimbursements. The director should also sign and approve the reimbursement form so as to verify the accuracy and purpose of the expenses.

Wakefield Housing Commission

December 12, 2005

Page 2

2. During the review of tenant files it was noted that one file tested was not updated or recertified since 2001.

Recommendation

The housing commission is required to recertify all tenants annually unless the tenant has chosen ceiling rent. The commission needs to have policies and procedures in place so as to recertify tenants annually.

We thank you for the opportunity to be of service. Do not hesitate to contact us if you have any questions. I found your staff to be very cooperative and a pleasure to work with.

Very truly yours,

ANDERSON, TACKMAN & COMPANY, PLC

Shane M. Ellison, CPA
Principal